Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

QUESTIONABLE PRACTICES INVOLVING NEBULIZER DRUG THERAPY

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EXECUTIVE SUMMARY

PURPOSE

This report identifies questionable practices relating to nebulizer drug therapy provided to Medicare beneficiaries under Part B of the Medicare program.

BACKGROUND

A nebulizer is a type of durable medical equipment (DME) through which prescription inhalation drugs are administered. Nebulizers and associated drugs are covered by Medicare "if the patient's ability to breathe is severely impaired."

Medicare allowances for nebulizer drugs remained relatively stable during the years 1990 through 1992, never exceeding about $78 million annually. In 1993, allowances increased to about $169 million and rose to about $226 million in 1994, an increase of almost 200 percent from 1990. Albuterol sulfate 0.083% is the most commonly reimbursed nebulizer drug code. This drug accounted for $150 million, or more than 65 percent, of the total dollars allowed for all nebulizer drugs in 1994. While Medicare payments for nebulizer drugs have increased in recent years, payments for nebulizer equipment have actually decreased. Allowances for nebulizer equipment dropped from $131 million in 1993 to $40 million in 1994. This may be due in part to Medicare's capped rental policy for certain types of nebulizer equipment.

To review Medicare payments for nebulizers and associated drugs, we utilized a random sample of nebulizer claims focusing on albuterol sulfate 0.083%. We also analyzed data from the Health Care Financing Administration's (HCFA) National Claims History File. We sought to determine 1) if Medicare reimbursed nebulizer equipment when a beneficiary had no corresponding nebulizer drug claims, and 2) if beneficiaries were receiving more than one type of nebulizer drug at the same time.

FINDINGS

Medicare paid for multiple inhalation drugs that when used together may be harmful to beneficiaries.

Medicare paid $8 million for multiple beta-adrenergic bronchodilator drugs that should almost never be taken during the same time period.

Medicare paid an additional $22 million for drugs that may be inappropriate when taken together.

One of HCFA's four Durable Medical Equipment Regional Carriers (DMERCs) accounted for a disproportionate share of multiple nebulizer drug allowances.

Other questionable drug provision practices may compromise beneficiaries' care.

Medicare beneficiaries received units of albuterol sulfate that differed from amounts prescribed by their physicians.

Prescribed dosage levels for some beneficiaries exceed medical guidelines.

Beneficiaries do not use all of the nebulizer drugs provided to them.

Questionable billing practices contribute to improper Medicare payments for nebulizer therapy.

Medicare allowed over $10 million for nebulizer equipment without corresponding billings for nebulizer drugs.

Suppliers billed Medicare for drug dispensing services they did not perform.

Some suppliers did not collect beneficiary coinsurance payments.

RECOMMENDATIONS

We recommend that HCFA develop a strategy to 1) eliminate the questionable and abusive billings we encountered in this inspection, and 2) ensure that beneficiaries requiring nebulizer therapy receive treatments that are appropriate.

As part of this strategy, we urge HCFA to implement a comprehensive coverage and medical review policy focusing on nebulizer equipment and inhalation drugs. In concert with these policies, the DMERCs should develop and issue guidelines to suppliers and pharmacies outlining recommended prescribing practices for inhalation drugs used with nebulizer equipment. To ensure compliance with the recent Medicare policy revision prohibiting drug payments to non-dispensing suppliers, the HCFA should take action to confirm that only appropriately licensed suppliers be permitted to dispense drugs, bill for dispensing fees, and physically handle drug products. In addition, the DMERCs could also provide suppliers with a reminder about Medicare regulations prohibiting the routine waiver of beneficiary coinsurance.

If the recommendations we just outlined had been in place during the time period of our review, Medicare could have saved up to $40 million in payments for questionable nebulizer equipment and drugs. Although this $40 million is an estimate, we believe it is credible since a more rigorous review of inhalation drug claims by one DMERC resulted in savings of nearly $20 million during only a 5 month period. The savings occurred after DMERC C implemented a review screen for claims involving both incompatible multiple inhalation drugs and overutilization. The DMERC took the initiative to implement this screen when concerns about Medicare payments for inhalation drugs in this region were raised by HCFA and the OIG after reviewing data compiled by the Statistical Analysis Durable Medical Equipment Regional Carrier.

We will refer possible abusive or fraudulent claims we encountered during our review to the fraud units responsible for handling such activities. In addition, we are planning a multi-disciplinary review, including evaluation and investigation staff, to determine the magnitude of inappropriate multiple nebulizer drug use as well as the identification of suppliers employing fraudulent or abusive practices in their Medicare billings.

AGENCY COMMENTS

The HCFA concurred with our recommendations. They have already taken steps to institute corrective actions, including revising their policies relating to nebulizer equipment and drugs which will take effect in April 1997. The revised guidelines contain more stringent requirements and are aimed at curtailing improper billings such as overutilization and billing for nebulizer equipment without corresponding billings for nebulizer drugs. To ensure that beneficiaries receive appropriate nebulizer therapy treatments, HCFA has clarified its guidelines to require that only licensed entities meeting pharmacy standards established by State Boards of Pharmacy be allowed to dispense and bill for nebulizer drugs. This change, according to HCFA, will prevent such abusive practices as supplying incompatible multiple drugs and excessive dosages of drugs. The full text of HCFA's comments may be found in Appendix B.